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INFO RUCNAFG/AFGHANISTAN COLLECTIVE

RUCNCIS/CIS COLLECTIVE

RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC

RUEKJCS/Joint STAFF WASHINGTON DC

RUEATRS/DEPT OF TREASURY WASHINGTON DC 0314

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

RHMFIUU/DEPT OF ENERGY WASHINGTON DC

RUEHML/AMEMBASSY MANILA 1549

UNCLAS SECTION 01 OF 02 KABUL 000291

SIPDIS

STATE FOR SCA/A, SCA/FO (A/S BOUCHER, GASTRIGHT, DEUTSCH)

STATE PASS USTDA FOR DSTEIN/SGREENIP

STATE PASS OPIC FOR MOSBACHER AND ZAHNISER

MANILA PLEASE PASS ADB/USED

NSC FOR AHARRIMAN

USAID/AA/ANE FOR JKUNDER

TREASURY FOR ABAUKOL, VELTRI

SENSITIVE, SIPDIS

E.O.12958: N/A

TAGS: ENRG ECON EPET ETRD KPWR FAID PGOV AF

SUBJECT: JCMB SUCCESS - "TEA CLUB" APPROVES EMBASSY ENERGY WHITE PAPER AS THE WAY FORWARD ON POWER GENERATION POLICY

Ref: A) Kabul 274

B) Kabul 162 and previous

C) Kabul 137

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1.(SBU) SUMMARY: JCMB "Tea Club" members welcomed the USG energy paper (refs A & B) and agreed that it would eventually be presented to the GoA as a donor paper. Members recommended further consultation with India, who was not invited to the meeting, and the World Bank, who had additional technical comments. Participants agreed that the energy paper would demonstrate the political importance of energy and power in the success of Karzai's government and that this could be an issue that could surface during or on the margins of the Berlin JCMB. As a catalyst for action to complete the North East Power System and for acquisition of additional hydrocarbon generation systems for Kabul before the 2009 elections, the paper is becoming another JCMB success story. END SUMMARY.

2.(SBU) The paper stressed the need to make the Inter-Ministerial Commission on Energy (ICE) the focal for energy policy discussions with the GOA. The ICE could be a mechanism to stem inter-ministerial confusion and power grabbing and stimulate cooperation on energy issues. The German Ambassador suggested that if the ICE did not succeed, donors should look at establishing a powerful independent agency that could force rural electrification, "like that created by Lenin in the Soviet Union." Acting Econ Counselor responded that the U.S. paper built on the April energy white paper's recommendation to create the ICE. Given Afghanistan's democratic government, he suggested that the Tennessee Valley Authority would be a better model for rural electrification.

3.(SBU) The Tea Club agreed that the creation of ICE should not divert resources from building the capacity of the line ministries. Donors should fund a small ICE secretariat, but it should remain located at the Ministry of Energy and Water to ensure effective coordination. As we move forward, donors and the GOA would need to define carefully the balance between ICE and the various line

ministries in terms of responsibility, accountability, and technical work. Tea Club members noted that ICE's authority to task line ministries and to hold them accountable for performance would need to be clarified and strengthened.

4.(SBU) The group determined that the paper could be improved through further technical discussion in the ANDS Working Group on Energy and through the JCMB process. Based on the German Ambassador's recommendation, participants agreed that increasing the supply of power to Kabul and other major population centers prior to the 2009 general elections should be a key GOA objective, and that discussion of this issue could surface at the Berlin JCMB. Acting Econ Counselor argued that to achieve this goal, Afghanistan will need to invest urgently in new hydrocarbon generation capacity in Kabul.

5.(SBU) Donors agreed that funding will need to be identified quickly for projects to build new distribution networks in cities along the NEPS power transmission lines, to ensure inter-NEPS technical compatibility, and to guarantee inter-NEPS technical and policy coordination. (NOTE: It is not clear that the Pul-e-Khumri to Kabul transmission line that India is constructing will be able to carry simultaneously the power from all three providers - Tajikistan, Turkmenistan, and Uzbekistan. END NOTE.) UNAMA suggested that donors may wish to contact their PRTs to consider whether they are in a position to meet some of the gaps on the distribution side. With the Afghan national utility slated for corporatization early in 2007, donors will also need to support its evolution into a credible regulatory authority.

6.(SBU) COMMENT: Our White Paper was an analytical piece, identifying the principal issues facing Afghanistan's energy sector. Working with the donors, we plan on converting it to an actions-needed paper to present to the GOA. The JCMB mechanism is producing donor consensus on a way forward to work towards delivering power to Kabul and other major population centers prior to the 2009 general elections. The mechanism is galvanizing donors

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to spur the GOA to complete negotiations with Tajikistan, Turkmenistan, and Uzbekistan to bring NEPS on line in time. In addition, the paper alerted donors that the GOA will need 18-24 months to receive the hydrocarbon gensets that are equally necessary to ensure the lights are on when Afghans next go to the polls. END COMMENT.

Neumann